

DEPARTMENT OF FINANCIAL INSTITUTIONS
MINUTES OF MEETING
FEBRUARY 10, 2005

The Members of the Department of Financial Institutions met at 9:00 a.m., EST, at 30 South Meridian Street, Suite 300, Indianapolis, Indiana. Present from the Department were Charles W. Phillips, Director; J. Philip Goddard, Deputy Director, Chief Legal Counsel and Secretary; James M. Cooper, Deputy Director, Depository Division; Kirk Schreiber, Senior Bank Analyst; Chuck T. Stumpf, Deputy Director, Administration Division; Mark K. Powell, Supervisor, Credit Union Division; Mark Tarpey, Division Supervisor, Consumer Credit Division; John Schroeder, Deputy Director Non-Depository Division and Associate Counsel and Ronda Bailey, Administrative Assistant. Guest was Lindy Frick, Deputy Attorney General.

I. EXECUTIVE SESSION:

Mark Powell opened the session that was authorized by IC 5-14-1.5-6.1 (b)(7) for purposes of discussing the report of examination of Pinnacle Credit Union, Fort Wayne, Allen County, Indiana which is confidential as provided in IC 28-1-2-30.

II. PUBLIC SESSION:

- A.) Members Present: David A. Bochnowski, Chairman; David D. Baer, Vice Chairman; Joe Pierce, Michael Davis, Joe Pierce, Richard Rice and Paul Sweeney.
- B.) Date of next meeting: March 10, 2005 @ 9:00 a.m. at the office of The Department of Financial Institutions, 30 South Meridian Street, Suite 300, Indianapolis, Indiana.
- C.) A motion was made for approval of the minutes of the meeting held December 9, 2004, by Mr. Sweeney and was seconded by Mr. Pierce. The minutes were unanimously approved.
- D.) No action was taken pursuant to the executive session, as the information was advisory only.
- E.) **DIRECTORS COMMENTS AND REQUESTS:**

- 1. Director Phillips presented to the Members for approval a resolution of appreciation for former Member Briget Polichene. Ms. Polichene had to resign before her term was up due to her son's illness. A motion for approval was made by Mr. Baer and seconded by Mr. Pierce. **The motion was unanimously approved.**

2. FINANCIAL UPDATE:

Chuck Stumpf updated the Members on the Departments financial results for the FYE June 30, 2004 were positive as it incurred an \$81,550 operating surplus. The resulting surplus increased the Department's Fund Balance to \$3,208,457. The surplus was the direct result of a 6.1% increase in expenditures and revenue totals that were comparable to the prior year. The expenditure increase was due primarily to increasing the average staffing level from 66 to 71; increasing travel expenditures by \$73,000; and the implementation of State General Salary Adjustments (GSA) at January 1, 2003 and 2004.

Financial projections for FYE June 30, 2005, based on December 31, 2004 operating results, estimated a \$50,000 operating deficit for the year. The deficit was based on projected revenue increases, primarily in the volume and pay-day lender fees, being exceeded by an increase in expenditures. The expenditure increases were primarily in wages and benefits and were the result of the implementation of the State's Recruit and Retention project; a January 1, 2005 GSA; and an average staffing level of 72.

Projections were not presented for FYE June 30, 2006 because estimating revenues at this time was not feasible. **This update was provided to the Members for informational purposes only.**

3. **ACCREDITATION UPDATE:**

James Cooper updated the Members on the Conference of State Bank Supervisors ("CSBS") accreditation process for the bank division. Mr. Cooper stated that the bank division was first accredited by CSBS in 1988. The staff has been working on the current accreditation since late August of 2004. The goal of the department is to complete a final draft of the accreditation self-evaluation by mid March, and file the self-evaluation with CSBS by the middle of April. CSBS will perform an on-site review of the Department's operations in May. Mr. Cooper also stated that the Credit Union Division is working on a similar timeline with the National Association of State Credit Union Supervisors ("NASCUS") accreditation process. The NASCUS onsite review will be the first of June. A copy of the CSBS self-evaluation questionnaire and recommended best practices was distributed to the Members for review. **This update was provided to the Members for informational purposes only.**

4. **POLICY REGARDING THE PURCHASE AND RETENTION OF U.S. GOVERNMENT SPONSORED ENTITY EQUITY SECURITIES UPDATE:**

James Cooper reviewed a draft of a revised department policy on the purchase and retention of U.S. Government Sponsored Entity ("GSE") Equity Securities. IC 28-1-11-12(4) provides in part that with the express approval of the Department, any bank or trust company shall have the power to purchase and hold shares of the capital stock, bonds, notes, debentures, or any other securities or obligations issued at any time by any agency or instrumentality of the Federal government. The Department has a policy that addresses investment in certain GSE equity securities, and the staff is recommending that the policy be updated and revised to make it more current. The policy would specifically address:

- Federal Home Loan Mortgage Corporation ("Freddie Mac") preferred stock,
- Federal National Mortgage Association ("Fannie Mae") preferred stock,
- Federal Agriculture Mortgage Corporation ("Farmer Mac") preferred stock as required to participate in the various programs sponsored by this entity, or
- Federal Home Loan Bank stock as required for membership and participation in the various programs sponsored by this entity.

Institutions that want to invest in GSE equity securities other than those addressed in this proposed policy statement or specifically referenced in Indiana Code 28-1-11-4, would be required to submit a request writing to the department for approval. The final draft of the policy will be resubmitted to the members at the next meeting for final consideration and action. **This update was provided to the Members for informational purposes only.**

5. **DEPARTMENT AUTOMATION ISSUES UPDATE:**

James Cooper advised the Members that new laptop computers were purchased for all field examiners in the Department at the end of last year. The laptop upgrade was part of the normal 3 year replacement schedule for computer equipment, and it also allowed the desktop examination platform for bank examination staff to be upgraded to be compatible with the FDIC examination process. The Department information technology staff is still working on upgrading the network environment and hopes to make progress on this initiative in the next six months. **This update was provided to the Members for information purposes only.**

6. **BANK SECRECY ACT COMPLIANCE UPDATE:**

James Cooper updated the Members on the depository division's efforts to examine for compliance with the Bank Secrecy Act, Patriot Act, and Anti-money Laundering statutes. The staff will utilize the new FFIEC Bank Secrecy Act and Anti-Money Laundering Examination Manual that is currently being developed on an inter-agency basis. The staff currently uses the FDIC work-program for banks and the NCUA work program for credit unions. The new inter-agency work-program is due to be implemented in June or July of 2005. The depository division staff is going to participate in a 2 day training program in March which will be conducted by subject matter experts from the FDIC and Federal Reserve. The staff is working on expanded access to the FINCEN database and a more comprehensive Information Sharing Agreement with FINCEN. **This update was provided to the Members for informational purposes only.**

7. **PENDING LITIGATION:**

Phil Goddard introduced Deputy Attorney General Lindy Frick. Together Mr. Goddard and Mrs. Frick updated the Members regarding pending litigation involving the DFI. The report primarily dealt with the ongoing cases involving Indiana companies who are, or were, engaging in disguised consumer lending through the ruse of providing Internet services with instant rebates. Mrs. Frick noted that the vast majority of the perpetrators have ceased operations and that settlement negotiations were ongoing with the wrongdoers. The AG's office is leading the settlement effort. The companies that continue to operate are entities that won the preliminary injunction hearings and have continued to engage in what the DFI believes is illegal lending. Appeals are pending with respect to these companies. Mr. Goddard also noted that one company, against whom a preliminary injunction was issued and later confirmed on appeal, has simply changed its name and resumed operations. Contempt proceedings have been initiated against this entity. Contempt charges are also pending against an additional defendant for actions the DFI and AG believe are in contempt of a separate

court order. **This update was provided to the Members for informational purposes only at this time.**

8. **LEGISLATION:**

Phil Goddard provided a brief description of legislation of particular interest to the agency. HB 1179 primarily contains the legislation proposed by the agency. These provisions were discussed in greater detail at the December 9, 2004, meeting and included the following:

- Ability of DFI Director to appoint Board members in certain instances
- Various technical language amendments
- Annual date changes
- Extending preemption to subsidiaries of state chartered institutions
- Use of consultants in regulatory examinations
- Technical amendment regarding restatement of Articles of Incorporation
- Electronic Banking
- Various revisions to modernize the Credit Union code
- Update of statute related to procedures of Industrial Loan Companies
- Two amendments to the Cease & Desist authority of the DFI
- Clarification of the application of Reg W.

HB 1179 passed the House 97-0 and was assigned to the Insurance and Financial Institutions Committee of the Senate.

Additional legislation of note includes SB 121 which is an attempt to incorporate title lending into the Pawnbroking Act. The bill passed out of committee 9-1 and is headed for the Senate Floor. Also of interest is HB 1188 which seeks to reestablish the Government Efficiency Commission. The commission will be charged with reviewing and reporting on the efficiency and effectiveness of all state agencies and boards. The bill passed out of committee 12-0 after significant bipartisan amendments were adopted. **This update was provided to the Members for informational purposes only at this time.**

9. **PAYDAY LENDING AND CHECK DECEPTION & CHECK FRAUD:**

John Schroeder updated the Members regarding the practice of certain licensees under the Small Loan Act that have been seeking treble damages and attorney fees in their collection efforts. Unfortunately various small claims courts have, in the opinion of DFI staff, been wrongfully awarding these damages and costs in their judgments. In most cases, the defendants either do not contest the complaints, and if they do, they are generally not represented by counsel. As such, in some cases, judges appear to be acting solely on the law as stated by the plaintiffs' attorneys. DFI staff believes some of these complaints contain misstatements of the law, misapplication of law, inaccuracies, and misrepresentations.

DFI staff will be publishing a policy statement on the matter, and is working with the Indiana Division of State Court Administration and the Indiana Judicial Center in an effort to provide

accurate information to small claims court judges. The DFI is also prepared to move forward with enforcement actions, including revocation procedures, against licensees that refuse to adhere to the statute. **This summary was provided to the Members for informational purposes only at this time.**

10. PAYDAY LOAN LICENSEE GROWTH SINCE JULY OF 2004

Mark Tarpey gave the Members an informational update on matters involving the Consumer Credit Division. Mr. Tarpey noted that the number of licensed small loan lenders has increased from 42 entities to 50 licensed entities since July of 2004. The Department licenses entities not locations. The number of locations offering small loans has increased since July of 2004 from approximately 350 to 491. Division supervisory personnel are interviewing all new applicants for a small loan license to convey the importance of compliance and to give the new applicants an opportunity to ask questions. The increase in the allowed fee structure as of July 1, 2004 for these types of transactions has contributed to the growth in the number of locations. **This update was provided to the Members for informational purposes only.**

11. ISSUE OF FAMILIAL/RELATED INTEREST APPLICATIONS FOR LICENSES:

Mark Tarpey advised the Members that a small loan license application may be submitted to the Members for review. The staff and the Director cannot recommend approval due to concerns about the character and fitness of the applicant. The applicant has been advised of the process to follow if he wishes to pursue licensing. **This update was provided to the Members for informational purposes only.**

12. NON-DEPOSITORY DIVISION FEE SCHEDULE UPDATE AS PART OF STRATEGIC PLANNING:

Mark Tarpey advised the Members that as part of the strategic planning process that the Nondepository Division was reviewing all of the fees assessed the various entities. Most of these fees have not been updated since 1995. **This update was provided to the Members for informational purposes only.**

13. FARMERS STATE BANK, LAGRANGE, LAGRANGE COUNTY, INDIANA

On November 15, 2004, the bank notified the Department of its intent to establish a qualifying subsidiary pursuant to IC 28-13-16. The subsidiary will be known as FSB Properties, Inc. The principal business objective of FSB Properties, Inc., is to invest, reinvest, hold, own, and manage real estate assets primarily residential and commercial mortgages from the Bank. **This item was for informational purposes only.**

14. IRWIN UNION BANK AND TRUST COMPANY, BARTHOLOMEW COUNTY, INDIANA

On December 6, 2004, the bank notified the Department of its intent to establish a qualifying subsidiary pursuant to IC 28-13-16. The subsidiary will be called Newco and is being formed solely for the purpose of effecting a reorganization of Irwin Business Finance Corporation. **This item was for informational purposes only.**

15. SAND RIDGE BANK, HIGHLAND, LAKE COUNTY, INDIANA

On December 13, 2004, the bank notified the Department of its intent to establish four qualifying subsidiaries from its affiliate Heritage Community Bank, Columbus, Indiana. The subsidiaries are known as Flagstone Holding, Flagstone P&C, Flagstone Life and Midwest Insurance. **This item was for informational purposes only.**

16. PEOPLES TRUST COMPANY, LINTON, GREENE COUNTY, INDIANA

The bank notified the Department that they closed the branch banking office that was known as the "Switz City Banking Office" located at 7 Charlotte Avenue, Switz, Greene County, Indiana. The branch office closed on December 31, 2004 @ 12:00 Noon. **This item was for informational purposes only.**

17. PEOPLES TRUST COMPANY, LINTON, GREENE COUNTY, INDIANA

The bank notified the Department that they closed the branch banking office that was known as the "Lyons Banking Office" located at 147 East Broad Street, Lyons, Greene County, Indiana. The branch office closed on December 31, 2004 @ 12:00 Noon. **This item was for informational purposes only.**

F.) ACTIONS BY DELEGATED AUTHORITY:

1. MAINSOURCE BANK, GREENSBURG, DECATUR COUNTY, INDIANA

MainSource Bank, Greensburg, Decatur County, Indiana ("MainSource") applied to the Department for approval to merge with Regional Bank, New Albany, Floyd County, Indiana ("Regional") pursuant to IC 28-1-7. MainSource will survive the merger. Both Regional and MainSource are wholly owned subsidiaries of MainSource Financial Group, Inc., a multi-bank holding company headquartered in Greensburg, Indiana. After the merger, MainSource Financial Group, Inc. will have three wholly owned bank subsidiaries. The board of directors of MainSource and Regional approved the Agreement and Plan of Merger on September 21, 2004 and September 22, 2004, respectively. Pro-forma financial statements prepared as of September 30, 2004, reflect the resulting bank would have total assets of \$1,238 billion and a Tier 1 capital to total assets ratio of 7.35%. The resulting bank's investment in land, building, and leasehold improvements will represent approximately 18% of sound capital and the investment in total fixed assets will represent approximately 17.50% of total equity capital. The three-year average Return on Assets (ROA) for MainSource and Regional are 1.47% and 1.15%, respectively. As of September 30, 2004, MainSource's ROA and Tier 1 leverage capital ratio are 1.56% and 7.31%, respectively. Regional's ROA and Tier 1 leverage capital ratio are 1.15% and 7.07%, respectively as of September 30, 2004. The Members of the Department delegated to the Director the authority to approve the merger of two banks owned by the same holding company on August 12, 2004. The Director approved this on December 20, 2004, under delegated authority. **This was approved by the Director under delegated authority on December 20, 2004.**

2. **HARRIS BANKCORP, INC., CHICAGO, COOK COUNTY, ILLINOIS**

Harris Bankcorp, Inc., Chicago, Cook County, Illinois ("Harris"), applied to the Members of the Department of Financial Institutions for prior approval to acquire 100% control of Mercantile Bancorp, Inc., Hammond, Lake County, Indiana ("Mercantile"), and thereby, it's wholly owned bank subsidiary, Mercantile National Bank of Indiana, Hammond, Lake County, Indiana ("Mercantile Bank"). On December 9, 2004, the Members adopted a resolution to delegate the authority to approve this application to the Director of the Department or the Deputy Director of Depository Institutions.

Harris and Mercantile have entered into an Agreement and Plan of Merger ("Agreement") dated October 12, 2004. The Agreement provides that the proposed transaction consist of an aggregate cash purchase price for the 678,505 shares of Mercantile's outstanding common stock to be \$142,764,247. At the effective time of the transaction, each issued and outstanding share shall be converted into the right to receive \$210.41. The aggregate merger consideration of \$142,764,247 will be reduced if certain events occur, pursuant to the terms of the Agreement. The book value of Mercantile's common stock as of June 30, 2004, is \$113.58. This represents a purchase price premium of \$96.83 or 1.85x book value.

Pro forma combined financial statements as of June 30, 2004, reflect a Tier 1 leverage capital ratio of 7.30% for Harris. Pro forma total assets for the same date would be \$33.5 billion and total equity capital of \$2.7 billion.

Harris received a satisfactory BOPEC rating from the Federal Reserve Bank of Chicago as a result of its most recent bank holding company inspection as of October 29, 2003. Harris's lead bank subsidiary, Harris Trust and Savings Bank, Chicago, Illinois, received a satisfactory CAMELS rating at its most recent FRB examination dated October 29, 2003. Mercantile received a satisfactory BOPEC rating from the Federal Reserve Bank of Chicago at its most recent bank holding company inspection of December 6, 2003. Mercantile Bank received a "Satisfactory" CAMELS rating from the OCC at its most recent examination dated December 6, 2003. All of the subsidiaries of Harris and Mercantile were assigned satisfactory CRA ratings at their most recent examinations.

All information that was requested of the applicant was promptly supplied. This Department received no negative factors or comments that would adversely affect Harris, Mercantile, or the communities they serve. The Federal Reserve Bank of Chicago approved this application on December 14, 2004.

The Department staff considered the statutory approval requirements of IC 28-2-16-17(e) and determined the following:

- Whether the banks already controlled by the applicant are operated in a safe, sound, and prudent manner.

- Satisfactory
- Whether the financial condition of the applicant or any of its affiliates will jeopardize the financial stability of the Indiana bank or Indiana bank holding company proposed to be acquired.
- Satisfactory
- Whether the proposed merger or acquisition will result in an Indiana bank that has inadequate capital, unsatisfactory management, or poor earnings prospects.
- Satisfactory
- Whether banks already controlled by the applicant have provided adequate and appropriate services, including services contemplated by the Community Reinvestment Act of 1977 (12 U.S.C. 2901 et seq.), to the communities in which they are located.
- Satisfactory
- Whether the applicant proposes to provide adequate and appropriate services, including services contemplated by the Community Reinvestment Act of 1977 (12 U.S.C. 2901 et seq.), in the communities served by the Indiana bank or Indiana bank holding company proposed to be acquired.
- Satisfactory
- Whether the management or other principals of the applicant are qualified by character and financial responsibility to control and operate in a legal and proper manner the Indiana bank or Indiana bank holding company proposed to be acquired.
- Satisfactory
- Whether the interest of the depositors and creditors of the Indiana bank or Indiana bank holding company proposed to be acquired and the interest of the public generally will be jeopardized by the proposed acquisition.
- Satisfactory
- Whether the applicant furnishes all the information the department requires in reaching its decision.

- Satisfactory
- If the department holds a hearing under section 18 of this chapter, the finding required by section 19 of this chapter.
- None Required.

This was approved by the Director under delegated authority on December 20, 2004.

3. **BANK OF EVANSVILLE, EVANSVILLE, VANDERBURGH COUNTY, INDIANA**

The Bank of Evansville requested approval of the Director for permission to add a new director to the bank's board of directors. The Bank of Evansville converted from a national association to a state chartered commercial bank through a merger with an interim bank approved by the Department on August 12, 2004. Pursuant to the approval conditions by the Department, the Director must give prior approval to any changes in the officers or directors of the bank in the first three years after consummation of the transaction. The transaction was consummated September 14, 2004. The Bank of Evansville has requested adding Mr. Christopher A. Ramsey as director of the bank. In addition, Mr. Ramsey will be added to the board of directors of the bank's holding company, American Community Bancorp, Inc. Based on a review of all the information submitted on Mr. Ramsey, no unfavorable responses were noted during the investigation. **This was approved by action taken by the Director on December 20, 2004.**

4. **ST. JOSEPH CAPITAL BANK, MISHAWAKA, ST. JOSEPH COUNTY, INDIANA**

The bank applied to the Department for approval to establish a branch office to be located between **Junior Achievement Drive & Clark Street in Elkhart, Elkhart County, Indiana**. The branch is to be located in a building owned by St. Joseph Capital Corp. ("BHC"), the bank's holding company, via a subsidiary. BHC will initially invest 49% in a LLC that will acquire the 3-story building. The city owns the land and will lease it to the LLC for \$1.00 per year. The developer of the building will own the other 51% of the LLC. BHC's ownership in the LLC is to increase to 100% within five years. The bank will occupy the first floor of the building but plans to utilize two-thirds of the building within the next couple of years. Proposed lease payments are \$12.50 per square foot plus a \$4.00 maintenance fee. The bank provided comparable lease transactions to show that the lease payments to be paid by the bank are not more than would be paid to an independent third party. Furniture, fixture, and equipment will cost approximately \$175,000. The bank's three-year average ROA is 0.76%.

As of September 30, 2004, the bank's ROA was 0.81% and its Tier 1 leverage capital ratio was 8.48%. The investment in total fixed assets to total capital will be 5.02% after the establishment of the branch. This will be the institution's first branch. **This was approved by the Director under delegated authority on December 29, 2004.**

5. **THE GERMAN AMERICAN BANK, JASPER, DUBOIS COUNTY, INDIANA**
FIRST AMERICAN BANK, VINCENNES, KNOX COUNTY, INDIANA
PEOPLES BANK, WASHINGTON, DAVIESS COUNTY, INDIANA

The German American Bank, First American Bank and Peoples Bank (the “Applicants”) applied to the Department for approval to acquire 25% interests each in a non-qualifying subsidiary pursuant to IC 28-13-16-5. The non-qualifying subsidiary known as The Doty Insurance Agency, Inc., Petersburg, Pike County, Indiana (“Agency”) will change its name to German American Insurance, Inc. upon consummation of the proposed transaction. The Agency is currently 100% wholly owned by Citizens State Bank, Petersburg, Pike County, Indiana (“Citizens”). The Applicants and Citizens are state chartered commercial banks and are affiliate bank subsidiaries of German American Bancorp, Jasper, Dubois County, Indiana (“GAB”). Agency engages in the sale of life insurance, health insurance, and property and casualty insurance, all exclusively as agent. Agency is licensed with the Indiana Department of Insurance. Presently, Citizens owns 1,000 shares, constituting all the outstanding shares of common stock of Agency. Prior to the effective date Agency will amend its Articles of Incorporation, thereby causing Citizens to own 1,000 shares each of the Class A, B, C and D shares of the common stock of Agency. The proposed transaction involves the declaration and payment of a dividend by Citizens of 1,000 shares each of Class B, C and D common stock of Agency. Citizens will dividend the shares of stock to its immediate parent holding company, a second tier holding company, German American Holding Corporation, Jasper, Dubois County, Indiana (“GAHC”). GAHC is also the direct parent holding company of Peoples Bank. GAHC will distribute the Class B and C shares it receives to GAB. Citizens will continue to hold all of the outstanding shares of Class A common stock of Agency. German American Bank will acquire all of the outstanding shares of Class B common stock of Agency as a result of the contribution to its capital of Class B shares by GAB. First American Bank will acquire all of the outstanding shares of Class C common stock of Agency as a result of the contribution to its capital of Class C shares by GAB. Peoples Bank will acquire all of the outstanding shares of Class D common stock of Agency as a result of the contribution to its capital of Class D shares by GAHC.

The total equity capital of Agency as of September 30, 2004, was \$4,874,000. The applicants would acquire in the proposed transaction, represented by shares of Class B, C and D common capital stock of Agency, 75% of the total equity capital which as of September 30, 2004, would be \$3,655,500.

As of September 30, 2004, German American Bank had total assets of approximately \$411 million, total equity of \$33 million, and a Tier 1 Leverage Capital ratio of 7.88% and a ROA of 1.37%. As of the same date, First American Bank had total assets of approximately \$129 million, total equity of \$12 million and a Tier 1 Leverage Capital ratio and ROA of 9.39% and 0.12%, respectively. Peoples Bank had total assets of approximately \$193 million, total equity of \$15 million as of September 30, 2004. The Bank’s Tier 1 Leverage Capital ratio and ROA was 7.77% and 1.52%, respectively. Citizens had total assets of approximately \$127 million, total equity of \$15 million as of the same date. Citizens Tier 1 Leverage Capital

ratio and ROA was 8.68% and 1.82%, respectively. **This was approved by action taken by the Director on December 29, 2004.**

6. WEST END SAVINGS BANK, RICHMOND, WAYNE COUNTY, INDIANA

West End Savings Bank applied to the Department for permission to amend Article 1, Section 1 of its Articles of Incorporation. The amendment to Article 1, Section 1 will change the bank's name to West End Bank, SB. The effective date of the amendment will be January 10, 2005. **This was approved by action taken by the Director on January 4, 2005.**

7. 1ST SOURCE BANK, SOUTH BEND, ST. JOSEPH COUNTY, INDIANA

The bank applied to the Department for approval to establish a branch office to be located at **12850 State Road 23, Granger, St. Joseph County, Indiana.** The application was received on December 9, 2004. The branch is to be known as **Granger – Martin's Branch.**

The proposed branch is a 900 square foot office inside a Martin's Super Market. The bank is leasing the space from an independent third party with an annual rental of \$40,000 for the first year increasing to \$48,000 for the second year and \$55,000 for the third thru the fifth year of the lease. The term of the lease is for five years with one five-year option. It is estimated that there will be \$53,000 worth of leasehold improvements to make the site into a banking facility. Furniture, fixtures, and equipment costs are projected at \$131,000. No relationship exists between parties involved in this transaction. The bank's three-year average ROA is 0.72%. As of September 30, 2004, the bank's ROA is 0.94% and its Tier 1 leverage capital ratio is 10.23%. The investment in total fixed assets to total capital will be 9.33% after the establishment of the branch. This will be the institution's sixty-first branch. **This was approved by the Director under delegated authority on January 7, 2005.**

8. HOOSIER TRUST COMPANY, INDIANAPOLIS, MARION COUNTY, INDIANA

The corporate fiduciary applied to the Department for approval to relocate its main office from **9339 Priority Way West Drive, Suite 250, Indianapolis, Marion County, Indiana** to **9339 Priority Way West Drive, Suite 130, Indianapolis, Marion County, Indiana.** The application was received on December 14, 2004. The proposed main office will be 1,350 square feet of office space on the first floor of their current office building. The corporate fiduciary is leasing the space from an independent third party with an annual rental of \$26,817.16 for the first year, \$27,222.00 for the second year, \$28,618.00 for the third, \$29,316.00 for the fourth year and \$30,014.00 for the fifth year of the lease. The term of the lease is for five years with one five-year option. No relationship exists between parties involved in this transaction. The corporate fiduciary will vacate the current main office, as the lease will expire. It is estimated that there will be \$15,360 worth of leasehold improvements to make the site into a corporate fiduciary facility. Furniture, fixture, and equipment will cost approximately \$5,000. As of September 30, 2004, the corporate fiduciary had assets under administration of \$92.1 million and equity capital of \$1.6 million.

This was approved by the Director under delegated authority on January 7, 2005.

9. **HOMEFEDERAL BANK, COLUMBUS, BARTHOLOMEW COUNTY, INDIANA**
HomeFederal Bank requested until December 31, 2005, to divest of the bank's real estate joint venture projects. The Members approved the conversion of Home Federal Savings Bank from a federal stock saving bank to a state chartered commercial bank on October 11, 2001. The conversion was effective December 31, 2001. The Director approved the bank until December 31, 2004, to divest of its six joint venture projects unless an extension was granted. So far, three of the projects have been closed. The bank is requesting a one-year extension to divest of the remaining projects. IC 28-1-21.6-12 allows a period of up to ten (10) years from the effective date of conversion for a commercial bank to wind up any activities legally engaged in by the converting institution that are not permitted to a commercial bank. **APPROVAL IS RECOMMENDED TO ALLOW THE BANK UNTIL DECEMBER 31, 2005 TO DIVEST OF THE REAL ESTATE JOINT VENTURE PROJECTS.**
SHOULD THE BANK NOT BE ABLE TO DIVEST OF THEM WITHIN THIS TIME FRAME, ANOTHER REQUEST TO THE DIRECTOR FOR ADDITIONAL TIME WILL BE REQUIRED. This was approved by the Director under delegated authority on January 7, 2005.
10. **CITIZENS STATE BANK, NEW CASTLE, HENRY COUNTY, INDIANA**
The bank requested permission to hold a piece of property adjacent to the bank's main office for future expansion as prescribed in IC 28-1-11-5. The property is located at 1222 Broad Street, New Castle, Indiana. The bank purchased half the property in 1965, and the other half in 1982, with the intention of expanding the current main office. At the bank's board meeting on December 20, 2004, the board approved a formal definitive plan and timetable for the use of this property as a training center and for storage. The bank anticipates being able to utilize the premises during the second quarter of 2005. The renovation to the property is expected to cost approximately \$20M. Currently the property is on the bank's books for \$26M. As of 9/30/04, Citizens State Bank had total assets of \$230 million, total deposits of \$205 million, and total equity capital of \$23 million. As of September 30, 2004, the bank's Tier 1 leverage capital ratio is 9.79%. Allowing the bank to continue to hold the real estate does not appear to endanger the safety and soundness of the bank. **IT IS RECOMMENDED THE BANK BE GRANTED AN EXTENSION TO HOLD THE REAL ESTATE UNTIL DECEMBER 31, 2005. SHOULD THE BANK NOT BE ABLE TO UTILIZE OR DIVEST OF THE REAL ESTATE WITHIN THIS TIME FRAME, ANOTHER REQUEST TO THE DIRECTOR PURSUANT TO IC 28-1-11-5 WILL BE REQUIRED. This was approved by the Director under delegated authority on January 7, 2005.**
11. **AMERIANA BANK & TRUST, NEW CASTLE, HENRY COUNTY, INDIANA**
The bank applied to the Department for approval to pay dividends in excess of what is permitted by IC 28-13-4-3. The bank's dividend request asks approval to pay a cash dividend of \$600,000 to its holding company, Ameriana Bancorp, New Castle, Indiana. The dividend will be upstreamed to the parent holding company for its regular first quarter dividend and for

other holding company expenses. As of September 30, 2004, the bank's Tier I leverage capital ratio is 8.97%. Proforma Tier 1 leverage to total estimated assets is approximately 8.82% after the payment of the dividend. **This was approved by the Director under delegated authority on January 7, 2005.**

12. HOOSIER TRUST COMPANY, INDIANAPOLIS, MARION COUNTY, INDIANA

Hoosier Trust Company applied to the Department for permission to add a new director to the board of directors of the corporate fiduciary. Hoosier Trust Company was approved as a state chartered corporate fiduciary by the Department on March 14, 2002, and opened for business on March 15, 2002. As a part of the formation, Hoosier Trust Company is required to get the approval of the Director for any changes in management. Hoosier Trust Company has requested adding Mr. Richard R. King, II to the board of directors. Based on a review of all the information submitted on Mr. King, no unfavorable responses were noted during the investigation. **This was approved by action taken by the Director on January 7, 2005.**

13. MARKLEBANK, MARKLE, HUNTINGTON COUNTY, INDIANA

The bank applied to the Department for approval to establish a branch office to be located at **210 North First Street, Van Buren, Grant County, Indiana**. The application was received on December 28, 2004. The branch is to be known as **MarkleBank**. The proposed branch is a 1,152 square foot modular branch banking facility. The Town of Van Buren owns the land where the branch will be located. The bank will enter into a three year lease for the land with the Town of Van Buren for \$1 per year. The estimated cost for the modular branch is \$100M. Furniture, fixtures and equipment costs are approximated at \$50M. No relationship exists between parties involved in this transaction. The bank's three-year average ROA is 1.32%. As of September 30, 2004, the bank's ROA is 1.27% and its Tier 1 leverage capital ratio is 9.94%. The investment in total fixed assets to total capital will be 24.89% after the establishment of this branch. This will be the institution's sixth branch. **This was approved by the Director under delegated authority on January 20, 2005.**

14. GERMAN AMERICAN BANK, JASPER, DUBOIS COUNTY, INDIANA

The bank applied to the Department for approval to establish a mobile branch. The application was received on January 6, 2005. The bank intends to operate the mobile branch out of its main office at 711 Main Street, Jasper to service customers in and around Dubois County. To overcome the absence of an extensive branch network in Dubois County, the bank will use the mobile branch to pick up check deposits and deliver new account paperwork to customer locations. The mobile branch will be a four-door car and operated by a bank employee. The insurance policy of the bank will cover the operation of the mobile branch. The bank already owns a car that will be used for the mobile branch. The bank's three-year average ROA is 1.40%. As of September 30, 2004, the bank's ROA is 1.37% and its Tier 1 leverage capital ratio is 7.88%. The investment in total fixed assets to total capital will be 19.11% after the establishment of the mobile branch. This will be the institution's eleventh branch. **This was approved by the Director under delegated authority on January 20, 2005.**

15. CITIZENS STATE BANK, PETERSBURG, PIKE COUNTY, INDIANA

The bank applied to the Department for approval to establish a mobile branch. The application was received on January 6, 2005. The bank intends to operate the mobile branch out of its main office at 305 East Main Street, Petersburg to service customers in and around Pike and Gibson Counties. To overcome the absence of an extensive branch network in Pike and Gibson Counties, the bank will use the mobile branch to pick up check deposits and deliver new account paperwork to customer locations. The mobile branch will be a four-door car and operated by a bank employee. The insurance policy of the bank will cover the operation of the mobile branch. The bank already owns a car that will be used for the mobile branch. The bank's three-year average ROA is 1.35%. As of September 30, 2004, the bank's ROA is 1.82% and its Tier 1 leverage capital ratio is 8.68%. The investment in total fixed assets to total capital will be 28.72% after the establishment of the mobile branch. This will be the institution's seventh branch. **This was approved by the Director under delegated authority on January 20, 2005.**

16. FIRST STATE BANK, SOUTHWEST INDIANA, TELL CITY, PERRY COUNTY, INDIANA

The bank applied to the Department for approval to establish a mobile branch. The application was received on January 6, 2005. The bank intends to operate the mobile branch out of its main office at 645 Main Street, Tell City to service customers in and around Perry and Spencer Counties. To overcome the absence of an extensive branch network in Perry and Spencer Counties, the bank will use the mobile branch to pick up check deposits and deliver new account paperwork to customer locations. The mobile branch will be a four-door car and operated by a bank employee. The insurance policy of the bank will cover the operation of the mobile branch. The bank already owns a car that will be used for the mobile branch. The bank's three-year average ROA is 0.75%. As of September 30, 2004, the bank's ROA is 1.00% and its Tier 1 leverage capital ratio is 7.75%. The investment in total fixed assets to total capital will be 40.36% after the establishment of the mobile branch. This will be the institution's third branch. **This was approved by the Director under delegated authority on January 20, 2005.**

17. FIRST AMERICAN BANK, VINCENNES, KNOX COUNTY, INDIANA

The bank applied to the Department for approval to establish a mobile branch. The application was received on January 6, 2005. The bank intends to operate the mobile branch out of its main office at 101 North Third Street, Vincennes to service customers in and around Knox County. To overcome the absence of an extensive branch network in Knox County, the bank will use the mobile branch to pick up check deposits and deliver new account paperwork to customer locations. The mobile branch will be a four-door car and operated by a bank employee. The insurance policy of the bank will cover the operation of the mobile branch. The bank already owns a car that will be used for the mobile branch. The bank's three-year average ROA is 0.18%. As of September 30, 2004, the bank's ROA is 0.12% and its Tier 1 leverage capital ratio is 9.39%. The investment in total fixed assets to

total capital will be 22.69% after the establishment of the mobile branch. This will be the institution's third branch. **This was approved by the Director under delegated authority on January 20, 2005.**

18. PEOPLES BANK, WASHINGTON, DAVIESS COUNTY, INDIANA

The bank applied to the Department for approval to establish a mobile branch. The application was received on January 6, 2005. The bank intends to operate the mobile branch out of its main office at 201 East Main Street, Washington to service customers in and around Daviess and Martin Counties. To overcome the absence of an extensive branch network in Daviess and Martin Counties, the bank will use the mobile branch to pick up check deposits and deliver new account paperwork to customer locations. The mobile branch will be a four-door car and operated by a bank employee. The insurance policy of the bank will cover the operation of the mobile branch. The bank already owns a car that will be used for the mobile branch. The bank's three-year average ROA is 1.68%. As of September 30, 2004, the bank's ROA is 1.52% and its Tier 1 leverage capital ratio is 7.77%. The investment in total fixed assets to total capital will be 15.02% after the establishment of the mobile branch. This will be the institution's fifth branch. **This was approved by the Director under delegated authority on January 20, 2005.**

19. THE FARMERS BANK, FRANKFORT, CLINTON COUNTY, INDIANA

The bank requested permission to hold two adjoining pieces of property for future expansion as prescribed in IC 28-1-11-5. The properties are located at 55 East Clinton Street, Frankfort, Indiana and 57 East Clinton Street, Frankfort, Indiana. The properties were purchased on February 26, 1991, and February 19, 1999, respectively, with the intention of expanding the current main office. At the bank's board meeting on September 13, 2004, the board approved a formal definitive plan and timetable for the use of these properties with demolition to commence no later than March 2005, and construction of new facilities to be completed by February 2006. The property at 55 East Clinton is currently shown on the bank's books for \$50M consisting of land for \$25M and building for \$25M. The property at 57 East Clinton is currently shown on the bank's books for \$80M consisting of land for \$76M and building for \$4M.

As of 9/30/2004, The Farmers Bank had total assets of \$450 million, total deposits of \$336 million, and total equity capital of \$41 million. As of September 30, 2004, the bank's Tier 1 leverage capital ratio is 8.95%. Allowing the bank to continue to hold the real estate does not appear to endanger the safety and soundness of the bank. **IT IS RECOMMENDED THE**

BANK BE GRANTED AN EXTENSION TO HOLD THE REAL ESTATE UNTIL FEBRUARY 28, 2006. SHOULD THE BANK NOT BE ABLE TO UTILIZE THE REAL ESTATE WITHIN THIS TIME FRAME, ANOTHER REQUEST TO THE DIRECTOR PURSUANT TO IC 28-1-11-5 WILL BE REQUIRED. This was approved by the Director under delegated authority on January 20, 2005.

20. **BANK OF EVANSVILLE, EVANSVILLE, VANDERBURGH COUNTY, INDIANA**
The Bank of Evansville requested approval to elect Michael S. Sutton as an Executive officer of the bank. The Bank of Evansville converted from a national association to a state chartered commercial bank through a merger with an interim bank approved by the Department on August 12, 2004. Pursuant to the approval conditions by the Department, the Director must give prior approval to any changes in the officers or directors of the bank in the first three years after consummation of the transaction. The transaction was consummated September 14, 2004. The Bank of Evansville has requested electing Mr. Sutton to CEO of the bank and as President and CEO to the bank's holding company, American Community Bancorp, Inc. Mr. Sutton is currently President and Chief Operating Officer of the Bank and Executive Vice President and Chief Lending Officer of the holding company. This election is due to the pending retirement of current CEO Thomas L. Austerman. Based on a review of all the information submitted on Mr. Sutton, no unfavorable responses were noted during the investigation. **This was approved by action taken by the Director on January 20, 2005.**
21. **BANK OF EVANSVILLE, EVANSVILLE, VANDERBURGH COUNTY, INDIANA**
The Bank of Evansville requested approval to elect John T. Lamb as an Executive Officer of the bank. The Bank of Evansville converted from a national association to a state chartered commercial bank through a merger with an interim bank approved by the Department on August 12, 2004. Pursuant to the approval conditions by the Department, the Director must give prior approval to any changes in the officers or directors of the bank in the first three years after consummation of the transaction. The transaction was consummated September 14, 2004. The Bank of Evansville has requested electing Mr. Lamb as Executive Vice President and Chief Lending Officer of the bank and Executive Vice President to the bank's holding company, American Community Bancorp, Inc. Mr. Lamb is currently Senior Vice President of the Bank. This election is due to the pending retirement of current CEO Thomas L. Austerman and the promotion of Michael S. Sutton. Based on a review of all the information submitted on Mr. Sutton, no unfavorable responses were noted during the investigation. **This was approved by action taken by the Director on January 20, 2005.**
22. **TEACHERS CREDIT UNION, SOUTH BEND, ST. JOSEPH COUNTY, INDIANA**
The credit union requested approval of a Petition for approval of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership.) This amendment placed the following organizations into the field of membership of the credit union:
- Lake Michigan College – Benton Harbor, MI – 425 members (common bond of occupation as defined by 28-7-1-10).
Austin Michigan Holdings, LLC – Niles, MI – 2 members (common bond of occupation as defined by 28-7-1-10).
North American Forest Products, Inc. – Edwardsburg, MI – 280 members (common bond of occupation as defined by 28-7-1-10).

Timothy Warren & Associates, Inc. – Niles, MI – 2 members (common bond of occupation as defined by 28-7-1-10).

Mock One Auto Store – Niles, MI – 3 members (common bond of occupation as defined by 28-7-1-10). **This was approved by the Director under delegated authority on December 17, 2004.**

23. ELKHART COUNTY FARM BUREAU CREDIT UNION, GOSHEN, ELKHART COUNTY, INDIANA

The credit union requested approval of a Petition for approval of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership.) This amendment placed the following organizations into the field of membership of the credit union:

Employees of the City of Nappanee – Nappanee – 500 members (common bond of occupation as defined by 28-7-1-10).

Newmar Corporation – Nappanee – 970 members (common bond of occupation as defined by 28-7-1-10).

Vitco, LLC – Nappanee – 65 members (common bond of occupation as defined by 28-7-1-10).

Ayr Cabinet Company, Inc. – Nappanee – 60 members (common bond of occupation as defined by 28-7-1-10). **This was approved by the Director under delegated authority on January 4, 2005.**

24. FORUM CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA

The credit union requested approval of a Petition for approval of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership.) This amendment placed the following organizations into the field of membership of the credit union:

Bartech Group – Indianapolis – 2,500 members (common bond of occupation as defined by 28-7-1-10).

Lauth Property Group – Indianapolis – 166 members (common bond of occupation as defined by 28-7-1-10). **This was approved by the Director under delegated authority on January 4, 2005.**

25. MEMBERS ADVANTAGE CREDIT UNION, MICHIGAN CITY, LAPORTE COUNTY, INDIANA

The credit union filed a request for approval of a Petition of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership.) This amendment placed the following organizations into the field of membership of the credit union:

Saint Paul Lutheran Church and School – Michigan City – 1,500 members (common bond of church membership as defined by 28-7-1-10).

Saint Paul Lutheran Church and School – Michigan City – 18 members (common bond of occupation as defined by 28-7-1-10). **This was approved by the Director under delegated authority on January 10, 2005.**

26. FORUM CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA

The credit union filed for approval of a Petition of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership.) This amendment placed persons who reside or are employed within the following communities into the field of membership of the credit union:

Henry County, Indiana (common bond of community residence or employment within a community as defined by 28-7-1-10).

Monroe County, Indiana (common bond of community residence or employment within a community as defined by 28-7-1-10).

Delaware County, Indiana (common bond of community residence or employment within a community as defined by 28-7-1-10). **This was approved by the Director under delegated authority on January 24, 2005.**

27. TEACHERS CREDIT UNION, SOUTH BEND, ST. JOSEPH COUNTY, INDIANA

The credit union filed for approval of a Petition of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership.) This amendment placed persons who reside or are employed within the following communities into the field of membership of the credit union:

Boone County, Indiana (common bond of community residence or employment within a community as defined by 28-7-1-10).

Brown County, Indiana (common bond of community residence or employment within a community as defined by 28-7-1-10).

Hancock County, Indiana (common bond of community residence or employment within a community as defined by 28-7-1-10).

Owen County, Indiana (common bond of community residence or employment within a community as defined by 28-7-1-10).

Shelby County, Indiana (common bond of community residence or employment within a community as defined by 28-7-1-10). **This was approved by the Director under delegated authority on January 31, 2005.**

28. TEACHERS CREDIT UNION, SOUTH BEND, ST. JOSEPH COUNTY, INDIANA

The credit union filed a request for approval of a Petition of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership.) This amendment placed the following organizations into the field of membership of the credit union:

Advertising USA, Inc. – Niles, MI – 5 members (common bond of occupation as defined by 28-7-1-10).

Southwestern Medical Clinic – Berrien Springs, MI – 340 members (common bond of occupation as defined by 28-7-1-10).

Northside Storage – Niles, MI – 1 member (common bond of occupation as defined by 28-7-1-10).

Alexandria Dairy Queen – Plymouth – 15 members (common bond of occupation as defined by 28-7-1-10).

Watson's Tree Service, Inc. – Niles, MI – 25 members (common bond of occupation as defined by 28-7-1-10).

Employees of Peace Lutheran Church – Fremont – 12 members (common bond of occupation as defined by 28-7-1-10).

Pro Installation Services – Niles, MI – 1 member (common bond of occupation as defined by 28-7-1-10). **This was approved by the Director under delegated authority on January 31, 2005.**

29. FORUM CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA

The credit union filed for approval of a Petition of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership.) This amendment placed the following organizations into the field of membership of the credit union:

Telamon Corporation – Carmel – 310 members (common bond of occupation as defined by 28-7-1-10). **This was approved by the Director under delegated authority on January 31, 2005.**

30. MEMBERS ADVANTAGE CREDIT UNION, MICHIGAN CITY, LAPORTE COUNTY, INDIANA

The credit union filed for approval of a Petition of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership.) This amendment placed the following organizations into the field of membership of the credit union:

Saint Paul Lutheran Church and School – Michigan City – 1,500 members (common bond of church membership as defined by 28-7-1-10).

Saint Paul Lutheran Church and School – Michigan City – 18 members (common bond of

occupation as defined by 28-7-1-10). **This was approved by the Director under delegated authority on January 10, 2005.**

31. **MEGASTAR FINANCIAL CORP** requested a consumer loan license. Applicant is based in Denver, Colorado. They will be making second mortgage loans. They will not be servicing the loans. Loans will be closed by a title company. They currently operate in 18 states. The staff's review finds that the financial responsibility, character and fitness of the applicant and officers and directors of the applicant are such as to warrant belief that the business will be operated honestly and fairly within the purposes of IC 24-4.5 and as stipulated in IC 24-4.5-3-503(2). **This was approved by the Director under delegated authority on December 21, 2004.**
32. **CUSTOM SERVICES CO., LLC** requested a consumer loan license. Applicant is based in Fort Wayne, Indiana. They will be making single-pay short-term loans under IC 24-4.5-7. They will be servicing the loans. On Thursday, December 16, 2004, at 8:00 o'clock AM, in the offices of the department, Mr. Wilfred Doetsch Jr., Manager, and his sister Ms. Jane Wehrle, representing Custom Services Co. LLC, an applicant for a Small Loan License, were interviewed. Representing the Department were John Schroeder, Deputy Director, Mark B. Tarpey, Division Supervisor, and Robert W. Benbow, Field supervisor. Mr. Tarpey reviewed several payday lending issues with the applicants. The main points emphasized were the cycle of debt, collection practices and income restrictions. With respect to collection practices, Mr. Tarpey conveyed to the applicants the department's position regarding the use of "fraud" Statutes in connection with payday lending. Mr. Schroeder then reinforced the information provided by Mr. Tarpey. Ms. Wehrle stated that they would avoid using attorneys to collect their accounts. The interview confirmed that Ms. Wehrle and Mr. Doetsch have the background and knowledge which will enable them to operate in conformity with the law. The applicant is presently the holder of Check Cashers License No. 60. The most recent examination is dated July 22, 2003. The examination report indicates that the licensee was found to be operating in compliance with the statute. The applicant was also the holder of Consumer Loan License No. 1506. The license was surrendered effective April 3, 2002. None of the three examinations conducted revealed any reimbursable type violations. The staff's review finds that the financial responsibility, character and fitness of the applicant and of the members of the applicant are such as to warrant belief that the business will be operated honestly and fairly within the purposes of IC 24-4.5 and as stipulated in IC 24-4.5-3-503(2). **This was approved by the Director under delegated authority on December 21, 2004.**
33. **PAYDAY LOAN STORE OF INDIANA, INC. d/b/a Payday Loan Store** requested a consumer loan license. Applicant is based in Chicago, Illinois. They will be making single-pay short-term loans under IC 24-4.5-7. They will be servicing the loans. They currently operate in 2 states On Tuesday, November 30, 2004 at 2:00 o'clock PM, in the offices of the department, Mr. Robert Wolfberg, President, and Ms. Yvonne Shaffer, Director of Operations, representing the Payday Loan Store of Indiana Inc., and applicant for a Small

Loan License, were interviewed. Representing the Department were John Schroeder, Deputy Director, Mark Tarpey, Division Supervisor, and Robert W. Benbow, Field Supervisor. Mr. Wolfberg is currently the president of a company known as PLS financial Services (PLS). PLS is a management company owned and operated by Robert and His brother Daniel. Robert and Daniel are currently the holders of three licenses issued by this department. These license include: Loan License No. 1505-East Chicago Check Cashers, issued in February 1997; Check Cashing License No. 58 –East Chicago Check Cashers, issued in January 1997; Money Transmitters License No. 9393 – American Financial Integrity Inc., issued in November 2003. In addition to the Indiana operations, the applicant operates check cashing operations using various names in seven states; NY- IN- IL-WI-TX-AZ-CA. They also operate payday lending operations in CA – AZ – MS – AL – IL - IN – WI. C A. Currently, they are operating in 140 locations. Mr. Tarpey reviewed several payday lending issues. The main points emphasized were the cycle of debt, rate structure and collection practices. With respect to collection practices, Mr. Wolfberg stated that they do not sue customers using fraud as an issue. The staff's review finds that the financial responsibility, character and fitness of the applicant and officers and directors of the applicant are such as to warrant belief that the business will be operated honestly and fairly within the purposes of IC 24-4.5 and as stipulated in IC 24-4.5-3-503. **This was approved by the Director under delegated authority on December 21, 2004.**

34. **SMS FINANCE, INC. d/b/a MORTGAGE EXCHANGE LENDING COMPANY** requested a check casher license. Applicant is based in Kokomo, Indiana. They will be cashing all types of checks. Applicant currently has Loan license #1259. Fee will be statutory maximum. They currently operate in 3 locations with another opening in a month. The staff's investigation finds that the financial responsibility, business experience, character, and general fitness of the applicant and of the officers and directors members are such as to warrant belief that the business will be operated honestly and fairly within the purposes of IC 28-8-5-12(a). **This was approved by the Director under delegated authority on December 21, 2004.**

CERTIFICATION:

The Department certifies that the business discussed in the Executive Session was limited only to business that was set out in the Department's Notice of Meeting and Agenda under the heading of "Executive Session." All action taken by the Department, if any, relating to the business discussed in the Executive Session was conducted in the Public Session.

APPROVED:

David A. Bochnowski, Chairman

ATTEST:

J. Philip Goddard, Secretary